

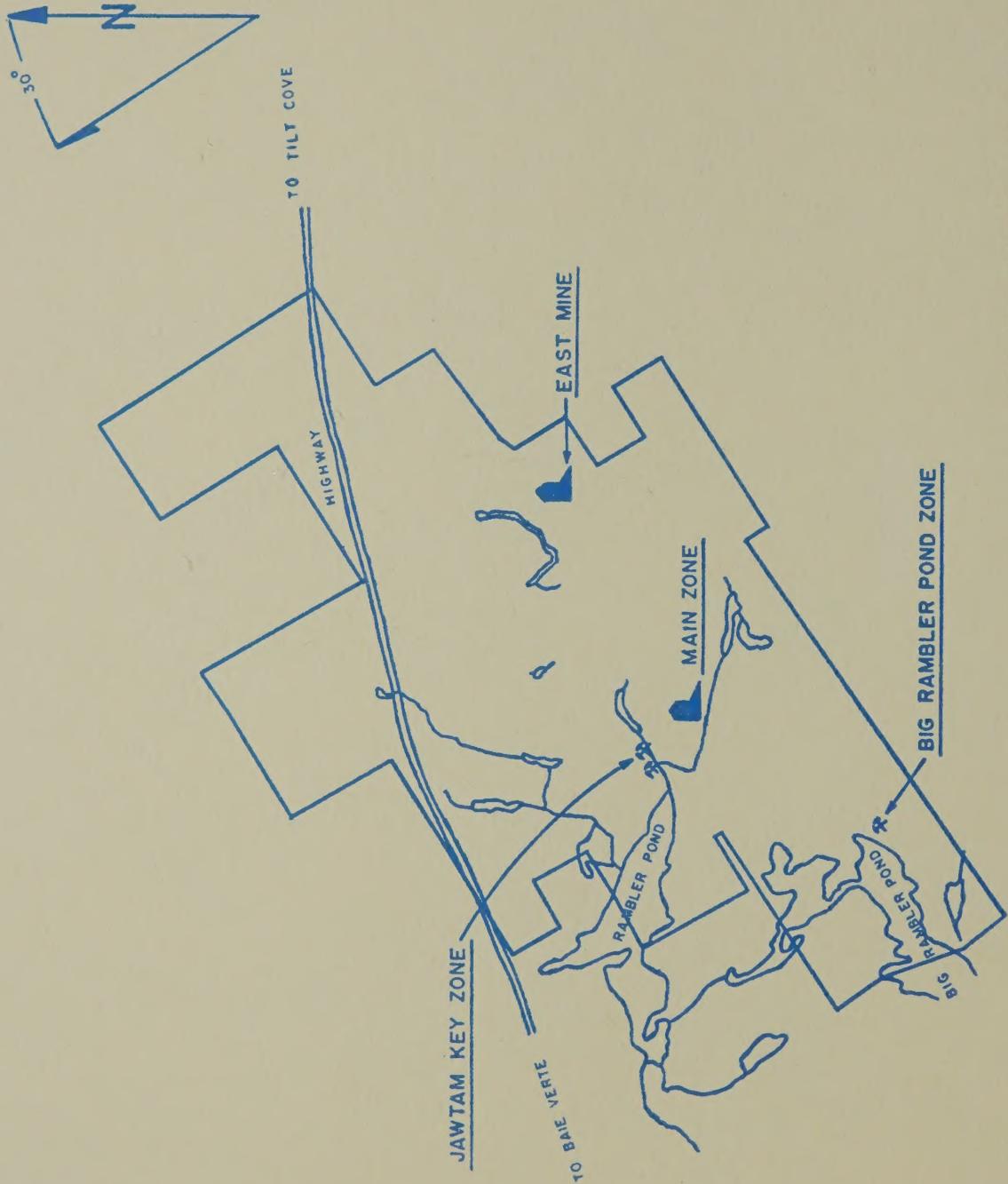
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Consolidated Rambler Mines Limited

Annual Report

FOR THE YEAR
ENDED DECEMBER 31

1968



CONSOLIDATED RAMBLER MINES LIMITED

PROPERTY MAP

Scale: $1'' = \frac{3}{4}$ mile.

CONSOLIDATED RAMBLER MINES LIMITED

| | | |
|---------------------------------|--|--------------------------|
| DIRECTORS | M. J. BOYLEN - - - - - | Toronto, Ontario |
| | PHILIP E. BOYLEN - - - - - | Toronto, Ontario |
| | GORDON H. GIBBS - - - - - | Willowdale, Ontario |
| | GORDON L. MOORE - - - - - | Islington, Ontario |
| | GORDON F. PUSHIE - - - - - | St. John's, Newfoundland |
| OFFICERS | M. J. BOYLEN - - - - - | President |
| | PHILIP E. BOYLEN - - - - - | Vice-President |
| | GORDON L. MOORE - - - - - | Secretary |
| | KEITH A. WALKER - - - - - | Treasurer |
| | D. W. GORDON - - - - - | Assistant-Secretary |
| | CHARLES B. BRANNIGAN - - - - - | Assistant-Treasurer |
| HEAD OFFICE | SUITE 908, 330 BAY STREET - - - - - | Toronto, Ontario |
| MINE OFFICE | BAIE VERTE - - - - - | Newfoundland |
| AUDITORS | SNYDER, CRAIG & CO. - - - - - | Toronto, Ontario |
| TRANSFER AGENT and REGISTRAR | GUARANTY TRUST COMPANY OF CANADA - - - - - | Toronto, Ontario |

DIRECTORS'
REPORT

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting herewith the Annual Report of your Company for the year ended December 31, 1968, which includes comparative financial statements, notes relative thereto, report of the auditors, and report of the Mine Manager.

Production for the year was from the East Mine only. The average daily tonnage treated was 989 compared with 649 the previous year. The installation of the underground crusher was completed in August and has overcome some of the difficulties previously experienced in handling of the ore. It has resulted in a greater volume of ore treated. The first four months of 1969 reflects an average daily tonnage of 1162.

Subsequent to year end, your Company has been able to retire considerable of its Current Liabilities as reflected in the following table:

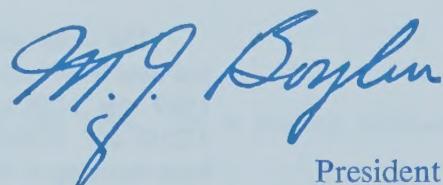
| | As At December 31 1968 | As At May 16 1969 |
|---|------------------------------|-------------------------|
| Bank overdraft | \$ 7,880 | \$ — |
| Bank loans — secured | 423,286 | 290,000 |
| — unsecured | 600,000 | 415,000 |
| Accounts payable and accrued liabilities | 354,051 | 236,549 |
| Province of Newfoundland — | | |
| Mining Tax | 90,400 | 90,400 |
| Financial Fee | 335,856 | 335,856 |
| 6% Second mortgage bonds — | | |
| Past due installments | 480,000 | — |
| Due April 1, 1969 | 240,000 | — |
| | \$2,531,473 | \$1,367,805 |

At current rate of production and present price of copper, the projected cash flow reflects that your Company would be able to retire all of its debt in the current year.

As indicated in the report of the Mine Manager, the Company plans to carry out an exploration programme below the 1000' level during the current year. The Big Rambler Pond area is two miles distant from the East Mine and the entire distance shows favourable rock occurrences. The results of geochemical sampling at Big Rambler Pond and the area north-east has revealed three anomalies which could be new ore bodies. Line cutting is in progress at the present time and is to be followed by surface exploration of this area. With the underground programme of exploration below the 1000' level and a surface exploration programme at Big Rambler Pond and the area to the north-east, the possibilities of increasing ore reserves appear very favourable.

Your Directors wish to acknowledge the co-operation and assistance of the Province of Newfoundland. They also express their appreciation for services rendered during the year by its Staff and Employees.

On behalf of the Board of Directors,



W.J. Boylan

President

Toronto, Ontario,
May 20, 1969.

MINE MANAGER'S REPORT

Box 98, Baie Verte, Nfld.
May 8, 1969

The President and Directors
Consolidated Rambler Mines Limited
Suite 908, 330 Bay St.
Toronto 105, Ontario

Dear Sirs:

The following is the report of operations at your mine for the year ended December 31, 1968.

Production (East Mine)

| | 1968 | 1967 |
|-----------------------------|-----------|-----------|
| Ore Milled — Tons | 361,853 | 236,907 |
| Average per calendar day | 989 | 649 |
| Grade % Copper | 1.30 | 1.26 |
| % time mill operated | 84 | 57 |
| Recovery % Copper | 97.7 | 97.1 |
| Concentrate Produced — Tons | 16,841 | 10,695 |
| Concentrate Grade % | 27.9 | 27.1 |
| Copper Recovered — Pounds | 9,367,438 | 5,764,585 |
| Gold Recovered — Ounces | 676 | 865 |

Operating Costs

| | 1968 | 1967 |
|---------------------------------|------|------|
| Development | .57 | .89 |
| Mining | 2.68 | 2.84 |
| Milling | 1.51 | 1.35 |
| Mine General and Administration | 1.19 | 1.08 |
| Exploration | .20 | .13 |
| | 6.15 | 6.29 |

The plant was originally designed for 1000 tons per day. This has now been bettered. The average from October 1968 to March 1, 1969 was 1169 tons milled per calendar day. Grade is holding at 1.25% cu. Costs have come down despite the fact that the plant has been working a 40 hour week since October 1, 1968. The underground crusher was installed by August and has greatly increased efficiency.

Exploration

(a) Underground

21,608 feet of diamond drilling was completed. This has outlined 100,000 tons of ore in the footwall of the East Zone and extended some of the known zones. No drilling has been done below the 1000 foot level but it is planned to outline ore below this level during 1969.

Driving 3.01 drift 190' to the west encountered 80' of 1.40% copper ore that could be another lens in the footwall of the main zone. This is presently being outlined by diamond drilling.

F-5 zone has been outlined a pipe-like structure from the 1000 level to 700 level. It contains approximately 50,000 tons of 1.30% copper.

In the hanging wall on the 1000 level at the extreme west face two intersections have been encountered which will be drifted on later this year.

These ore lenses have given a great deal of ore and also brightened the future for more tonnage to be developed during the next few years.

(b) Surface

3000 feet of diamond drilling was done in the East Zone to explore the surface expression of the main ore zone. Heavy pyrite mineralization was encountered and some good ore sections were found on the 375 foot level. These are now being developed by underground drifting.

Diamond drilling at Big Rambler Pond has outlined 50,000 tons of 1.50% copper ore. This was shown by geochemical sampling and proved by drilling. Two more geochemical anomalies have been found to the north east, one 1000' and the other 1500' N-E of Big Rambler Pond. Both of these showed high zinc values as well as copper. From the East Zone to Big Rambler Pond is two miles. Favourable rock occurs for this entire length and surface exploration will be started as soon as ground conditions are suitable.

Ore Reserves

| | Vertical Depth | Proven and Probable | Possible | Total | Grade % |
|--------------------|----------------|---------------------|----------|-----------|---------|
| Jan. 1, 1968 | 1000' | 1,078,470 | 180,034 | 1,384,354 | 1.32 |
| Jan. 1, 1969 | 1000' | 910,760 | 180,034 | 1,090,794 | 1.22 |

From experience to date a 15% dilution factor is used. Ore reserves have been increased slightly after 1968 production has been taken out from January 1, 1968 total.

General

A new trucking contractor was engaged in July 1968. He is proving satisfactory and results in a saving of 10 cents per ton milled.

Work force has been adequate and is becoming more efficient.

It is again a pleasure to acknowledge the loyal support of the staff and employees as well as the support and co-operation of the Officers and Directors of the company.

Respectfully submitted

M. P. TRUMAN, B.Sc.
Mine Manager.

CONSOLIDATED RAN

(Incorporated unde

Balance Sheet

ASSETS

| | 1968 | 1967 |
|---|-----------------|---------------------|
| CURRENT | | |
| Cash | \$ — | \$ 22,316 |
| Net estimated amount receivable from sale of mineral concentrate | 1,775,726 | 1,990,818 |
| Accounts receivable | 23,831 | 7,216 |
| Prepaid expenses and deposits | 39,927 | 52,400 |
| | <hr/> 1,839,484 | <hr/> 2,072,750 |
| FIXED | | |
| 1 Mining lease and | 222,068 | 222,068 |
| 22 Mining claims in the White Bay District, Province of Newfoundland, at cost | — | 2,910 |
| Land at cost | 4,485 | 4,485 |
| Buildings, surface structures and equipment, at cost less accumulated depreciation of \$1,047,952 — 1967 \$857,188 (Note 1) | 2,583,145 | 2,860,647 |
| | <hr/> 2,809,698 | <hr/> 3,090,110 |
| MISCELLANEOUS | | |
| Materials and supplies on hand and in transit, at cost | 336,960 | 392,434 |
| Special refundable corporation tax | 11,660 | 10,239 |
| | <hr/> 348,620 | <hr/> 402,673 |
| DEFERRED EXPENDITURES | | |
| Mine development expenses, less amortization (Notes 1 and 2) | <hr/> 1,752,364 | <hr/> 2,001,191 (a) |

NOTE

1967 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 2 of the Notes to the Financial Statements.

Approved on behalf of the Board.

M. J. BOYLEN, Director.

G. L. MOORE, Director.

\$6,750,166

\$7,566,724

(See acco

LER MINES LIMITED
(The Laws of Ontario)

December 31, 1968

LIABILITIES

| | 1968 | 1967 |
|--|-----------------|-----------------|
| CURRENT | | |
| Bank overdraft | \$ 7,880 | \$ — |
| Bank loans — secured | 423,286 | 524,281 |
| — unsecured | 600,000 | 600,000 |
| Accounts payable and accrued liabilities | 354,051 | 952,166 |
| Government of Canada — Refundable Tax | — | 6,100 |
| Province of Newfoundland — Mining Tax | 90,400 | 48,500 |
| — Financial Fee | 335,856 | 265,856 |
| 6% Second mortgage bonds — past due instalments (Note 3) | 480,000 | 480,000 |
| — due following April 1 | 240,000 | 240,000 |
| | <hr/> 2,531,473 | <hr/> 3,116,903 |
| LONG TERM | | |
| 4½% First mortgage serial bonds | — | 324,281 |
| 6% Second mortgage bonds (Note 3) | 240,000 | 480,000 |
| 7% Convertible debentures (Note 4) | 500,000 | 500,000 |
| 5% Unsecured, deferred, subordinated notes and accrued interest (Note 5) | 40,000 | 59,899 |
| | <hr/> 780,000 | <hr/> 1,364,180 |
| COMMITMENT | | |
| — (Note 6) | | |

SHAREHOLDERS' EQUITY

| | | |
|---|-------------------|-------------------|
| CAPITAL STOCK | | |
| Authorized: | | |
| 5,000,000 Shares of \$1.00 par value — <u>\$5,000,000</u> | | |
| Issued: | | |
| 2,940,006 Shares | 2,940,006 | 2,940,006 |
| Less: Discount thereon | 965,000 | 965,000 |
| | <hr/> 1,975,006 | <hr/> 1,975,006 |
| Options: (Notes 4 and 5) | | |
| CONTRIBUTED SURPLUS | | |
| Balance unchanged from previous year | 14,625 | 14,625 |
| EARNED SURPLUS | | |
| Balance, end of year | 1,449,062 | 1,096,010 (a) |
| TOTAL SHAREHOLDERS' EQUITY | <hr/> 3,438,693 | <hr/> 3,085,641 |
| | <hr/> \$6,750,166 | <hr/> \$7,566,724 |

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Profit and Loss

For the year ended December 31, 1968

| | 1968 | | 1967 | |
|--|-------------------|--------------------|-----------------------|------------------------|
| | EAST ZONE | MAIN ZONE | EAST ZONE 9 Months | MAIN ZONE 10 Months |
| INCOME | | | | |
| Gross metal production | \$4,442,493 | \$ (27,180) | \$2,502,255 | \$1,937,051 |
| Less: Marketing costs | 793,668 | (239) | 400,786 | 383,325 |
| Net metal production | <u>3,648,825</u> | <u>(26,941)</u> | <u>2,101,469</u> | <u>1,553,726</u> |
| OPERATING EXPENSES | | | | |
| Mining | 1,248,698 | — | 797,778 | 551,871 |
| Milling | 547,447 | — | 278,016 | 291,023 |
| Mine general expenses | 311,865 | — | 182,126 | 173,107 |
| Administrative expenses | 119,166 | — | 53,856 | 36,652 |
| | <u>2,226,176</u> | <u>—</u> | <u>1,311,776</u> | <u>1,051,753</u> |
| NET PROFIT (LOSS) on operations before provision for depreciation and mine development expenses written off | <u>1,422,649</u> | <u>(26,941)</u> | <u>789,693</u> | <u>501,973</u> |
| PROVISION FOR | | | | |
| Depreciation of fixed assets | 251,145 | — | 150,111 | 174,894 |
| Mine development expenses written off | 248,827 | — | 186,620 | (a) 150,077 |
| | <u>499,972</u> | <u>—</u> | <u>336,731</u> | <u>324,971</u> |
| NET PROFIT (LOSS) ON MINING OPERATIONS | <u>922,677</u> | <u>(26,941)</u> | <u>452,962</u> | <u>177,002</u> |
| FINANCIAL EXPENSES | | | | |
| Interest on first mortgage bonds | — | 7,265 | — | 21,895 |
| Interest on second mortgage bonds | 68,796 | — | 59,121 | — |
| Interest on convertible debentures | 35,000 | — | 26,370 | — |
| Other interest | 183,417 | 14,885 | 49,877 | 70,155 |
| | <u>287,213</u> | <u>22,150</u> | <u>135,368</u> | <u>92,050</u> |
| Less: Profit (Loss) on hedging sterling funds | (2,835) | — | 4,324 | 8,159 |
| | <u>290,048</u> | <u>22,150</u> | <u>131,044</u> | <u>83,891</u> |
| NET PROFIT (LOSS) AFTER FINANCIAL EXPENSES | <u>\$ 632,629</u> | <u>\$ (49,091)</u> | <u>\$ 321,918</u> | <u>\$ 93,111</u> |
| NET PROFIT COMBINED | <u>\$ 583,538</u> | | <u>\$ 415,029</u> | |
| Provision for mining taxes | 41,900 | — | 31,008 | |
| Province of Newfoundland financial fee | 70,000 | — | 70,000 | |
| | <u>111,900</u> | <u>—</u> | <u>101,008</u> | |
| NET PROFIT FOR THE YEAR | <u>\$ 471,638</u> | | <u>\$ 314,021</u> | |

NOTE

1967 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 2 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earned Surplus

For the year ended December 31, 1968

| | <u>1968</u> | <u>1967</u> |
|--|-------------|----------------|
| Balance, beginning of year | \$1,096,010 | \$ 813,080 (a) |
| Add: Net profit for the year | 471,638 | 314,021 (a) |
| | <hr/> | <hr/> |
| | 1,567,648 | 1,127,101 |
| Deduct: Loss on disposal of fixed assets | 115,676 | 31,091 |
| Mining claims abandoned | 2,910 | — |
| | <hr/> | <hr/> |
| | 118,586 | 31,091 |
| Balance, end of year | <hr/> | <hr/> |
| | \$1,449,062 | \$1,096,010 |

NOTE

1967 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 2 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Application of Funds

For the year ended December 31, 1968

| | 1968 | 1967 |
|---|------------------|-------------------|
| SOURCE OF FUNDS | | |
| Net earnings | \$ 471,638 | \$ 314,021 (a) |
| Depreciation of fixed assets | 251,145 | 325,005 |
| Amortization of mine development | 248,827 | 336,697 (a) |
| Funds applicable to operations | 971,610 | 975,723 |
| Decrease in materials and supplies | 55,474 | 1,909 |
| 1,027,084 | 977,632 | |
| APPLICATION OF FUNDS | | |
| Acquisition of mining claims | — | 2,910 |
| Additions to buildings, surface structures and equipment | 89,319 | 181,815 |
| Mine development | — | 75,227 |
| Payment of 4½ % first mortgage bonds | 324,281 | 325,219 |
| Current and past due 6% second mortgage bonds | | |
| included in current liabilities | 240,000 | 720,000 |
| Payment of subordinated notes and accrued interest | 19,899 | (2,500) |
| Special refundable corporation tax | 1,421 | (3,411) |
| 674,920 | 1,299,260 | |
| Resulting in an increase (decrease) in working capital of | \$ 352,164 | \$(321,628) |
| WORKING CAPITAL | | |
| At beginning of year (deficiency) | \$(1,044,153) | \$(722,525) |
| Increase (decrease) | 352,164 | (321,628) |
| At end of year (deficiency) | \$(691,989) | \$(1,044,153) |

NOTE

1967 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 2 of the Notes to the Financial Statements..

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

DECEMBER 31, 1968

UNAMORTIZED MAIN ZONE FIXED ASSETS AND MINE DEVELOPMENT EXPENSES

1. Mining operations on the Main Zone ceased at the end of October 1967. It is the Company's intention to carry out further exploration on this zone when circumstances permit with a view to the eventual resumption of operations. Pending such exploration, depreciation of main zone fixed assets and amortization of main zone mine development expenses have been suspended. The un-depreciated balance of fixed assets at the end of 1967 is estimated to be \$746,800 and the un-amortized balance of mine development expenses is estimated to be \$500,250.

ADJUSTMENT OF PRIOR YEARS' AMORTIZATION OF MINE DEVELOPMENT EXPENSES

2. In prior years, provision for the amortization of mine development expenses was made in amounts considered allowable under the Newfoundland Mining Tax Act. In 1968, the provision for amortization of East Zone mine development expenses was made at the rate of 15% of total expenses and an adjustment to give retroactive effect to this basis in respect of prior years' amortization provisions for both the Main and East Zones has been made in the accounts. The 1967 figures in the Financial Statements have been restated to give effect to the changed basis which results in the following additional charges to prior years:

| | |
|------------|------------------|
| 1964 | \$ 2,294 |
| 1965 | 6,883 |
| 1966 | 6,883 |
| 1967 | 53,623 |
| | <hr/> |
| | <u>\$ 69,683</u> |

7% SECOND MORTGAGE BONDS

3. The past due instalments of these bonds were paid subsequent to December 31, 1968. Future instalments of \$240,000 each fall due on April 1, 1969 and 1970. The bonds are secured (pending dis-

charge of the first bond mortgage) by a second mortgage on the Company's fixed assets and by a second floating charge on all other assets. They may be redeemed on 30 days notice at par plus accrued interest.

7% CONVERTIBLE DEBENTURES

4. These debentures are due on September 1, 1971 but may be redeemed on 30 days notice at par plus accrued interest. They are secured by a floating charge which ranks behind all other charges secured by the Company's assets and may be converted into shares of the Company at the rate of one share for each \$2.25 principal amount of debenture.

UNSECURED, DEFERRED, SUBORDINATED NOTES

5. Holders of \$40,000 of these notes elected to exercise their option to take up capital stock in the Company at \$1 per share in lieu of cash payment. Holders of \$10,000 of the notes elected to take cash payment.

COMMITMENT

6. The Company has indicated its support and future assistance to local educational institutions and in 1968 made a \$10,000 payment as part of a general undertaking amounting to \$40,000.

TOTAL REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

7. Total direct remuneration paid during 1968 to directors was \$10,000 and to senior officers (as defined in the Ontario Corporations Act to include the five highest paid employees of the Company) was \$67,340.

INCOME TAXES

8. The Company has written-off in its accounts depreciation and preproduction expenditures in excess of that claimed for tax purposes and no provision for income taxes on profits shown in 1967 and 1968 is required.

SNYDER, CRAIG & CO.

CHARTERED ACCOUNTANTS

330 BAY STREET

TORONTO
CANADA

TO THE SHAREHOLDERS OF

CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31, 1968 and the Statements of Profit and Loss, Earned Surplus and Source and Application of Funds for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The company has suspended making provision for depreciation and amortization in respect of the main zone fixed assets and deferred mine development expenses in the current year although mining operations at the Main Zone ceased during 1967 as set out in Note 1.

Subject to the omission of such provisions in the current year as referred to in the preceding paragraph, in our opinion, the attached financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year ended on that date. These financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes referred to in Notes 1 and 2.

Snyder, Craig & Co.

Chartered Accountants.

March 7, 1969.



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